

KITSAP COUNTY, WASHINGTON
January 1, 1992 Through December 31, 1992

Schedule Of Findings

1. The Juvenile Department Should Improve Internal Controls Over The Billing And Receipting System

The juvenile department billing and receipting system was not adequate to ensure timely detection of errors and irregularities. The juvenile department has approximately \$93,450 in yearly revenues. The following internal control weaknesses were noted:

- a. There was no segregation of duties between billing and cash receipting. One person was responsible for billing, receipting, preparing deposits, and posting receipts to individual ledgers. When one individual controls all aspects of a transaction, there are no effective checks and balances.
- b. Offender ledger cards were filed under nine different categories and separate ledger cards often existed for each offense. Because of this, the department did not have the ability to review an individual's complete billing and payment history without pulling ledger cards from multiple files. In addition, the multiple file system increased the amount of time needed to pull ledger cards, making the process overly complicated and cumbersome.

The Washington State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual states:

An internal control system consists of the plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

Without an adequate system of internal accounting controls, the likelihood that errors or irregularities may occur and not be detected is increased.

This condition resulted due to limited staff and resources.

We recommend the following:

- a. The juvenile department should segregate the billing and receipting functions.
- b. The juvenile department should computerize the billing system.

2. The Juvenile Department Should Develop A System Of Internal Controls Over Restitution

The juvenile department's internal controls over restitution were inadequate to prove the validity of every transaction. The following internal control weaknesses were noted:

- a. There was no segregation of duties over restitution. Although the court decided whether a victim was entitled to compensation, the actual amount of restitution was set by the same person who also received the money and disbursed it to the victim. When one individual controls all aspects of a transaction, there are no effective checks and balances.
- b. Restitution was not deposited into a trust account or recorded in the department's accounting records. Restitution went directly from the person receiving the money to the victim.
- c. No court records for restitution receipt and disbursement were kept. We reviewed court files in which the court determined that restitution was appropriate. However, there were no records in the files examined which documented the amount set, the date received, or the date disbursed.

RCW 43.09.200 states:

The accounts shall show . . . all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction.

The Washington State Auditor's BARS manual states:

To reduce the risk of error, waste, or wrongful acts or to reduce the risk of them going undetected, no one individual should control all key aspects of a transaction or event. Rather, duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist.

Without an adequate system of internal accounting controls, there is no assurance that errors or irregularities will be detected.

The juvenile department was unaware of the need for internal controls over the restitution process.

We recommend the following:

- a. The juvenile department should segregate the functions of setting, receiving, and disbursing restitution.
- b. The juvenile department should account for restitution in a trust fund.
- c. Adequate records documenting receipt, adjustments, if any, and disbursement of restitution should be kept.

3. The Fair Department Should Improve Internal Controls Over Ticket Sales

We noted the following weaknesses over ticket sales at the county fair. Fair receipts account for approximately \$160,000 revenue for the fair department:

- a. Accountability was not initially established over fair tickets sold at the gates. Although the fair president accounted for tickets checked out to ticket sellers, the fair department did not account for the total amount of tickets given to the fair president.
- b. The tickets sold during the fair were short \$1,558.47 to subsequent deposits. This shortage was unresolved.
- c. There was an inadequate audit trail to tie advance ticket sales to subsequent deposits.

RCW 43.09.200 states in part:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

Without an adequate system of internal control, the likelihood that errors or irregularities may occur and not be detected is increased.

The fair has many types of ticket sales and sources of revenue. The weaknesses described above were overlooked by the department when they developed their ticket accountability system.

We recommend:

- a. The fair department develop a system to account for all tickets sold during the fair.
- b. The fair department develop a system to ensure all receipts are deposited.
- c. The fair department include receipt numbers on ticket distribution forms in order to tie advance ticket sales to subsequent deposits.